

Message Text

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TAGS: EFIN, EEC, ETRD

SUBJECT: EC COMMISSION OUTLINES EXPORT CREDIT DEVELOPMENTS

REF: (A) STATE 12371 (NOTAL), (B) EC BRUSSELS 414 (NOTAL),
(C) EC BRUSSELS 268 (NOTAL), (D) 75-EC-A-477 (NOTAL),
(E) 75 EC BRUSSELS 11475 (NOTAL), (F) BRUSSELS 632
(NOTAL)

1. SUMMARY: THE COMMISSION IS PRESSING AHEAD WITH REQUESTS FOR MANDATES TO NEGOTIATE AN EXPORT CREDIT GENTLEMEN'S AGREEMENT AND TO SIGN THE OECD LOCAL COST FINANCING AGREEMENT. IT CONTINUES TO SEEK A PHASE OUT OF MEMBER STATE EXPORT INFLATION INSURANCE SCHEMES. ALL OF THESE PROPOSALS, HOWEVER, ARE LIKELY TO FACE MEMBER STATE OPPOSITION WHICH COULD CONSEQUENTLY DELAY PROGRESS IN THESE AREAS. COMMISSION OFFICIALS BELIEVE PARALLEL UNILATERAL DECLARATIONS TO LIMIT EXPORT CREDIT COMPETITION WOULD INFRINGE ON THE EC'S COMPETENCE IN THIS AREA. THEY SAY THE COMMISSION WOULD TAKE LEGAL ACTION TO PREVENT MEMBER STATES FROM CARRYING OUT SUCH AN ARRANGEMENT. END SUMMARY.

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2. POSSIBLE LEGAL ACTION: THE MISSION DISCUSSED WITH EC

COMMISSION DIRECTOR KLEIN THE INFORMATION CONTAINED IN REF A. KLEIN APPRECIATED BEING BROUGHT UP TO DATE ON THE INFORMAL TALKS REGARDING THE GENTLEMEN'S AGREEMENT. HE ALSO TOOK NOTE THAT THE USG DID NOT WANT TO BECOME INVOLVED DIRECTLY OR INDIRECTLY IN AN INTERNAL COMMUNITY DISPUTE REGARDING COMPETENCIES TO NEGOTIATE AN AGREEMENT. KLEIN BELIEVES, HOWEVER, THAT SHOULD THESE TALKS LEAD TO A AGREEMENT INVOLVING ONE OR MORE MEMBER STATES AND THE EC WAS NOT INVOLVED IN THE NEGOTIATIONS, THE COMMISSION WOULD TAKE LEGAL ACTION TO PREVENT IT FROM BEING CARRIED OUT. (THE ENTIRE COMMISSION, OF COURSE, WOULD HAVE TO APPROVE SUCH A DECISION.) SUCH LEGAL ACTION MIGHT POSSIBLY NULLIFY AN AGREEMENT TO WHICH THE USG WAS A PARTY.

3. UNILATERAL DECLARATION: KLEIN HAD BEEN INFORMED THAT THE FRENCH HAD PROPOSED PARALLEL UNILATERAL DECLARATIONS AS AN ALTERNATIVE TO A MORE FORMAL GENTLEMEN'S AGREEMENT. THE COMMISSION'S LEGAL SERVICE REVIEWED THE COURT'S OPINION (SEE REF D) TO DETERMINE IF SUCH DECLARATIONS WOULD CONTRAVENE THE EC'S COMPETENCE IN THIS AREA. THE LEGAL SERVICE BELIEVES THAT THEY WOULD. KLEIN HAS THUS INFORMED THE FRENCH AND OTHERS THAT THE COMMISSION WOULD TAKE LEGAL ACTION TO STOP MEMBER STATES CONCERNED FROM IMPLEMENTING SUCH DECLARATIONS SHOULD ARRANGEMENTS BE WORKED OUT TO UNDERTAKE THEM.

4. COREPER DISCUSSION: KLEIN BRIEFED THE COMMITTEE OF PERMANENT REPRESENTATIVES ON THE COMMISSION'S PROPOSALS IN THE EXPORT CREDIT AREA. THE FRENCH REPRESENTATIVE ASKED FOR A THREE-WEEK DELAY IN COREPER'S CONSIDERATION OF THESE PROPOSALS IN ORDER TO HAVE TIME TO STUDY THEM. THE COMMISSION'S REQUEST FOR A MANDATE TO NEGOTIATE A GENTLEMEN'S AGREEMENT WOULD PROBABLY GO BEFORE THE FINANCE COUNCIL, PERHAPS ON FEBRUARY 16. KLEIN DOES NOT EXPECT PROMPT ACTION. THE COUNCIL WILL LIKELY REFER THE REQUEST TO THE EC EXPORT CREDIT WORKING GROUP FOR STUDY. HE CONCEDES THAT A NUMBER OF MEMBER STATES, ESPECIALLY FRANCE AND THE UK, ARE OPPOSED TO COMMUNITY INVOLVEMENT IN THE EXPORT CREDIT MATTERS. THE COMMISSION'S REQUEST COULD CONSEQUENTLY LANGUISH BEFORE THE COUNCIL AND THEREBY HOLD UP FURTHER PROGRESS ON NEGOTIATING A GENTLEMEN'S AGREEMENT.

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5. OECD LOCAL COST FINANCING: THE COMMISSION HAS ALSO REQUESTED A COUNCIL MANDATE FOR THE COMMISSION TO ENTER INTO THE OECD LOCAL COST FINANCING AGREEMENT ON BEHALF OF THE EC. KLEIN IS CONCERNED THAT BECAUSE OF MEMBER STATE OPPOSITION OR EC INVOLVEMENT, MEMBER STATES MAY ALSO BLOCK THIS REQUEST. THIS COULD PREVENT THE COMMUNITY FROM SIGNING THE AGREEMENT WHEN IT IS TO COME FORMALLY INTO EFFECT LATER THIS YEAR.

6. COSTS ESCALATION INSURANCE SCHEMES: DE KERGORLAY OF DG-I PLANS TO MEET WITH BRITISH, FRENCH AND ITALIAN AUTHORITIES THE WEEK OF JANUARY 26 TO INFORM THEM OF THE COMMISSION'S DECISION IN PRINCIPLE TO PHASE OUT OVER A THREE-YEAR PERIOD COST ESCALATION INSURANCE SCHEMES (SEE REF E). KLEIN HAS RECEIVED INDICATIONS THAT SEVERAL MEMBER STATES, ESPECIALLY FRANCE, ARE STRONGLY OPPOSED TO THIS PROPOSAL. ON THE OTHER HAND, AT LEAST THREE MEMBER STATES FAVOR A PROMPT PHASE-OUT (SEE REF F). DE KERGORLAY WILL REPORT TO THE COMMISSION THE RESULTS OF HIS MEETINGS. KLEIN EXPECTS THE COMMISSION TO ADOPT FORMALLY ITS PHASE-OUT PROPOSAL WITHIN THE NEXT SEVERAL WEEKS. HE DOES NOT RULE OUT, HOWEVER, THE POSSIBILITY THAT EITHER SOME PROVISIONS MAY BE MODIFIED OR THE COMMISSION COULD CHANGE ITS MIND IN LIGHT OF MEMBER STATE REACTIONS.

7. EC APPROACH: KLEIN CONCEDES THAT THE COMMISSION'S RECENT INITIATIVES TO ASSERT ITSELF IN EXPORT CREDIT MATTERS COULD DELAY SEVERAL ONGOING PROPOSALS. HE BELIEVES, HOWEVER, THE COMMISSION HAS NO ALTERNATIVE IN LIGHT OF THE COURT'S OPINION. ON THE OTHER HAND, SHOULD THE EC COUNCIL OF MINISTERS TAKE THE UNANIMOUS POLITICAL DECISION THAT THIS TIME IT DOES NOT WANT THE COMMUNITY TO ENTER INTO THIS AREA, THEN THE COMMISSION WOULD WITHDRAW ITS PROPOSALS. KLEIN DOES NOT THINK SUCH A DECISION IS LIKELY BUT HE SEES IT AS A POSSIBILITY.
GREENWALD

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